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COLUMBIA BREWING COMPANY LTD

ANNUAL REPORT 1973





# COLUMBIA BREWING COMPANY LTD

## ANNUAL REPORT 1973

The annual general meeting of shareholders will be held at the Company's Head Office, 1220 Erickson St. South Creston, B.C., Monday, June 25, 1973 at 2:00 p.m.

# COLUMBIA BREWING COMPANY LTD

## OFFICERS

*Chairman of the Board* — E. R. McFARLAND  
*President & Managing Director* — H. W. BLAKLEY  
*Vice President & Comptroller* — H. D. PAULS  
*Secretary-Treasurer* — H. J. LeMOIGNE

## DIRECTORS

D. K. ARCHIBALD, *Sidney, British Columbia*  
H. W. BLAKLEY, *Vancouver, British Columbia*  
J. P. BUCYK, *Creston, British Columbia*  
A. J. CHILCOTT, *Okanagan Mission, British Columbia*  
W. E. IRELAND, *Vancouver, British Columbia*  
R. J. MacNEILL, *Vancouver, British Columbia*  
E. R. McFARLAND, *Balfour, British Columbia*  
M. E. MORAN, *Castlegar, British Columbia*  
W. R. PRENTICE, *Fernie, British Columbia*

## MANAGEMENT

*Master Brewer & Director of Operations* — CLIFF WALKER  
*Director of Marketing & Planning* — M. A. McINNIS  
*Director of Sales* — C. J. BRANDOLINI  
*Chief Engineer* — A. JAMES ROSS  
*Packaging Manager* — EDWARD WILL  
*Quality Control Manager* — COLIN SHARP

## HEAD OFFICE

*1220 Erickson Street South, Creston, British Columbia*

## EXECUTIVE OFFICE

*3300 McGill St., Vancouver 6, British Columbia*

## AUDITORS

*Riddell, Stead & Co., Vancouver, British Columbia*

## TRANSFER AGENTS & REGISTRARS

*The Canada Trust Company, Vancouver, British Columbia;  
Lethbridge, Alberta*

## BANKERS

*Canadian Imperial Bank of Commerce*

The shares of Columbia Brewing Company Ltd. are listed on the  
Vancouver Stock Exchange.



# COLUMBIA BREWING COMPANY LTD

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## REPORT TO SHAREHOLDERS

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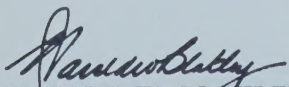
We are pleased to report that in our fiscal year ended March 31, 1973, our net profit rose to \$135,941, 40% over the previous year. Despite this improvement our profits are not really satisfactory. Our growth requires continuing capital investment for increased brewery capacity and additional distribution facilities, and in order to accomplish this our industry badly needs an increase in the price the Liquor Control Board pays us for our products. Brewers in B.C. receive the same net price for packaged beer as in 1951. Obviously an increase is long overdue and we hope it is imminent.

Our sales in 1972-3 were about the same as in the previous year but it should be noted that 1971-2 was the year in which the majority of the brewing industry experienced a strike. We have obtained several new draught accounts. Our marketing expenses were reduced mainly because of the advertising ban, but in this year we continued to build a very effective sales organization. We are proud to have Mr. Cyril Brandolini join us as Director of Sales — a man with an outstanding record and 14 years experience in the beer business. We are pleased with our volume in the Coast market. Our high standards of product quality and the increasing awareness of our key brands, Columbia and Kokanee, are giving us substantial gains in the Lower Mainland. Our resumption of advertising is helping also.

We have completed plans to establish a new distribution and service center in Kamloops. That large and rapidly growing market should give us added volume in this next year.

We are expecting significant sales increases throughout British Columbia in the next year. Our brewhouse and cellar capacity will be adequate to produce the expected volume but our bottling line is unable to handle the higher volume even with multiple shifts and overtime, both of which are extremely costly. It should be noted that since 1970 our base wage rates have increased by \$2.11 per hour. To enable us to supply demand we must build a complete new bottle shop. Your Directors have given tentative approval to the expenditure of \$2 million for this expansion, subject to our obtaining financial assistance from the Federal Department of Regional Economic Expansion (DREE). In the light of continual escalation of all operating and production costs we have effected economies in every possible area. We commend all our employees for their efforts in trying to keep costs down while at the same time maintaining very high standards of quality of both product and service.

In the next year we expect growth in all areas from the Kootenays to Vancouver Island, but our volume in the Lower Mainland market will no doubt represent more than half our Company's business in the near future. Total industry volume is experiencing a healthy growth rate, and we are pleased to advise you that your Company's growth rate continues to exceed that of the industry.



HAROLD W. BLAKLEY  
President & Managing Director



E. R. MCFARLAND  
Chairman

## COLUMBIA BREWING COMPANY LTD

## BALANCE SHEET AS

## ASSETS

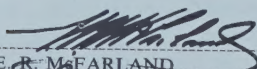
## CURRENT ASSETS

	1973	1972
Cash .....	\$ 16,800	\$ 13,600
Marketable securities .....	—	124,550
Accounts receivable .....	380,002	316,376
Income taxes refundable .....	—	40,500
Inventories		
Supplies and raw materials, at the lower of cost and replacement cost .....	155,221	165,486
Products — finished and in process at, the lower of cost and estimated net realizable value .....	236,443	208,458
Prepaid expenses .....	17,203	14,214
	<u>805,669</u>	<u>883,184</u>

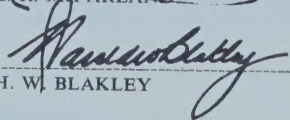
## FIXED ASSETS

	Cost	Accumulated Depreciation		
Buildings .....	\$1,565,541	\$ 535,787	1,029,754	1,076,354
Machinery and equipment .....	1,915,830	1,358,792	557,038	529,156
Land .....	26,222	—	26,222	26,223
	<u>\$3,507,593</u>	<u>\$1,894,579</u>	<u>1,613,014</u>	<u>1,631,733</u>

Signed on behalf of the Board:

  
 E. R. McFARLAND

Director

  
 H. W. BLAKLEY

Director

\$ 2,418,683\$ 2,514,917

The accompanying notes are an inte

MARCH 31, 1973

LIABILITIES		
CURRENT LIABILITIES		
	1973	1972
Bank indebtedness (Note 1) -----	\$ 253,159	\$ 405,914
Accounts payable and accrued liabilities -----	152,875	135,007
Income taxes -----	31,014	—
	<u>437,048</u>	<u>540,921</u>
DEFERRED INCOME TAXES -----	179,045	163,245
CONTINGENT LIABILITY (Note 2)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 3)		
Authorized		
1,180,00 common shares without nominal or par value		
Issued		
720,508 shares -----	1,256,624	1,256,624
RETAINED EARNINGS -----	545,966	554,127
	<u>1,802,590</u>	<u>1,810,751</u>
	<u>\$ 2,418,683</u>	<u>\$ 2,514,917</u>



# COLUMBIA BREWING COMPANY LTD

## STATEMENT OF EARNINGS AND RETAINED EARNINGS for the Year ended March 31, 1973

	1973	1972
SALES, net of sales tax .....	\$ 3,897,411	\$ 3,940,691
COST OF SALES .....	<u>2,629,270</u>	<u>2,719,971</u>
Gross profit from operations ....	<u>1,268,141</u>	<u>1,220,720</u>
EXPENSES		
Selling .....	211,186	294,908
Distribution .....	605,176	540,989
Administrative .....	<u>224,948</u>	<u>224,798</u>
	<u>1,041,310</u>	<u>1,060,695</u>
Profit from operations .....	226,831	160,025
OTHER INCOME .....	<u>10,110</u>	<u>7,746</u>
Earnings before income taxes .....	<u>236,941</u>	<u>167,771</u>
PROVISION FOR INCOME TAXES		
Current .....	85,200	49,500
Deferred .....	<u>15,800</u>	<u>21,300</u>
	<u>101,000</u>	<u>70,800</u>
NET EARNINGS .....	135,941	96,971
Retained earnings at beginning of year .....	<u>554,127</u>	<u>601,258</u>
	690,068	698,229
Dividends — common shares .....	<u>144,102</u>	<u>144,102</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 545,966</u>	<u>\$ 554,127</u>
EARNINGS PER SHARE .....	<u>19c</u>	<u>13c</u>

*The accompanying notes are an integral part of this financial statement.*



# COLUMBIA BREWING COMPANY LTD

## STATEMENT OF SOURCE AND DISPOSITION OF FUNDS for the Year ended March 31, 1973

SOURCE OF FUNDS	1973	1972
From operations		
Net earnings .....	\$ 135,941	\$ 96,971
Charges not involving funds		
Depreciation .....	128,992	122,987
Deferred income taxes .....	15,800	21,300
	<u>280,733</u>	<u>241,258</u>
DISPOSITION OF FUNDS		
Fixed asset additions .....	110,273	277,476
Dividends paid .....	144,102	144,102
	<u>254,375</u>	<u>421,578</u>
INCREASE (DECREASE) IN		
WORKING CAPITAL .....	26,358	(180,320)
Working capital at beginning of year	342,263	522,583
WORKING CAPITAL AT END OF YEAR	<u>\$ 368,621</u>	<u>\$ 342,263</u>

## AUDITORS' REPORT

To the Shareholders  
Columbia Brewing Company Ltd.

We have examined the balance sheet of Columbia Brewing Company Ltd. as at March 31, 1973 and the statements of earnings and retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1973 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD & CO.  
Chartered Accountants.

May 4, 1973.

# COLUMBIA BREWING COMPANY LTD

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## NOTES TO 1973 FINANCIAL STATEMENTS

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### NOTE 1 BANK INDEBTEDNESS

The bank indebtedness is secured by the assignment of accounts receivable and inventories.

### NOTE 2 CONTINGENT LIABILITY

The company has guaranteed bank indebtedness on transport agents' vehicles of \$102,000.

### NOTE 3 CAPITAL STOCK

The following options are outstanding:

	<i>Number of Shares</i>	<i>Price</i>
Granted to an officer and director and exercisable in whole or in part prior to January 1, 1976 .....	25,000	\$4.25
Granted to officers and employees and exercisable in annual instalments of 1,500 shares commencing April 1, 1973. Options which are not exercised may be accumulated .....	6,000	3.19
	<u>31,000</u>	

### NOTE 4 REMUNERATION OF DIRECTORS

Aggregate remuneration paid to directors, including amounts paid those who are also senior officers totalled \$40,279.

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## HIGHLIGHTS IN REVIEW

Fiscal Year ending March 31

	1973	1972
Sales, before sales taxes .....	\$ 4,266,086	\$ 4,316,804
Government sales and excise taxes .....	\$ 1,372,526	\$ 1,362,444
Depreciation .....	\$ 128,993	\$ 122,987
Net Income .....	\$ 135,941	\$ 96,971
Shares issued and outstanding .....	720,508	720,508
Earnings per share .....	.19	.13
Dividends paid .....	\$ 144,102	\$ 144,102
Percentage of net income paid in dividends .....	106%	148.6%
Working capital .....	\$ 368,621	\$ 342,263
Plant, property and equipment (net) .....	\$ 1,613,014	\$ 1,631,733
Number of employees .....	64	67
Payroll .....	\$ 784,068	\$ 734,630
Retained earnings .....	\$ 545,966	\$ 554,127
Number of shareholders .....	1,190	1,202



